



State of Utah

Department of Natural Resources

MICHAEL R. TYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

May 25, 2006

Frank Ginton
Black Sands Holding Company
2939 Tamarac Street
Denver, Colorado 80231

Subject: Notice to Commence Small Mining Operations and Approval of Reclamation Surety, Black Sands Holding Company, Black Sands 47281 Mine, Task #1385, M0470084, Uintah County, Utah

Dear Mr. Ginton:

The Division finds your notice of intention (Notice) complete and approves the reclamation surety for the Black Sands 47281 Mine. The Notice only includes plans to drill five holes up to 100 feet deep. There will be a small amount of cross country travel, but no roads will be built at this time.

Prior to beginning mining operations other than the approved drilling, you will need to amend the Notice and submit a map showing where the mine will be and any access roads. It will also be necessary to increase the bond.

Before beginning operations, please ensure appropriate approvals have been received from other agencies, such as the School and Institutional Trust Lands Administration and the Division of Water Quality.

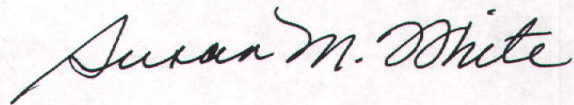
Please keep in mind the following regulatory requirements.

- Stockpiling topsoil material prior to beginning activities will help ensure successful revegetation. Even the first few inches of undeveloped material is worth saving to aid in later revegetation efforts, and future regulatory surety release.
- If you encounter any archaeological or historical items, you are asked to notify this office of your find. The notice was reviewed by the State Historic Preservation Officer who said there is a possibility the area could contain sites eligible for listing in the National Register of Historic Places. He suggested a cultural resources survey be completed to make this determination.
- Permit fees are due July 30
- Annual reports are due by December 31st.

Page 2 of 2
Frank Ginton
M0470084
May 25, 2006

The Division's web page at <http://ogm.utah.gov> under the Mining Program has a link to the rules you are expected to operate under and other information to assist you in complying with program requirements. In reply, please refer to file number M0470081. If you have questions or concerns regarding this letter, please contact me at (801) 538-5258 or Paul Baker at 538-5261. Best wishes with your mining venture.

Sincerely,



Susan M. White
Mine Program Coordinator
Minerals Regulatory Program

SMW:PBB:pb
Enclosure: Copy of RC
cc: Will Stokes, SITLA
Alan Propp
P:\GROUPS\MINERALS\WP\M047-Uintah\S0470084-BlackSands47281\final\app-05082006.doc

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940



---00000---

SMALL MINE RECLAMATION CONTRACT

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between **Black Sands Holding Co.** the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. **S/047/084** which the Operator has filed with the Division and has been determined by the Division to be complete (Complete NOI) as required by the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (2005, as amended) (hereinafter referred to as "Act") and the regulations adopted pursuant to the Act; and

WHEREAS, Operator is obligated to reclaim the lands affected by the mining operations in accordance with the Act and the regulations, and is obligated to provide a surety in a form and amount approved by the Division or the Board of Oil, Gas and Mining (Board) to assure reclamation of the lands affected by the mining operations.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to promptly reclaim in accordance with the requirements of the Act and applicable regulations, as they may be amended, all of the lands affected by the mining operations conducted or to be conducted pursuant to a Complete Notice of Intention.
2. The Lands Affected by the mining operations and subject to the requirements of the Act and this Contract include:

RECEIVED

MAY 2006

- A. All surface and subsurface areas affected or to be affected by the mining operations including but not limited to private on-site ways, roads, railroads; land excavations; drill sites and

ponds; stockpiles; leaching dumps; placer areas; tailings ponds or dumps; work, parking, storage, and waste discharge areas, structures, and facilities; and

- B. All mining disturbances regardless of discrepancies in the map and legal description, unless explicitly and clearly identified as **EXCLUDED** on maps, and legal descriptions included in the Complete NOI; provided lands may be excluded only if: (1) they were disturbed by mining operations that ceased prior to July 1, 1977; (2) the lands would be included but have been reclaimed in accordance with a complete notice or reclamation plan; or (3) the lands were disturbed by a prior operation for which there is no surety, no legally responsible entity or person, and which lands are not necessarily or incidentally intended to be affected by the mining operations as described in the Complete NOI.
- 3. The Operator shall be responsible for reclamation of all such Lands Affected regardless of errors or discrepancies in the maps or legal descriptions provided with the NOI which are intended to assist in determining the location of the mining operations, to describe the areas of disturbance, and to assist estimating the amount of surety required.
- 4. The Operator prior to commencement of any mining operations and as a precondition to the rights under the Notice of Intention shall provide a surety in a form permitted by the Act and in an amount sufficient to assure that reclamation of the Lands Affected will be completed as required by the Act. The Surety shall remain in full force and effect according to its terms unless modified by the Division in writing. A copy of the agreement providing for the Surety for the reclamation obligations herein is included as **ATTACHMENT A** to this Contract. COPY
- 5. If the Surety expressly provides for cancellation or termination for non-renewal:
 - A. The Operator shall within 60 days following the Division's receipt of notice that the Surety will be terminated or cancelled, provide a replacement Surety sufficient in a form and amount, as required by the Act, to replace the cancelled surety; or
 - B. If the Operator fails to provide an acceptable replacement Surety within 60 days of notice of cancellation or termination, the Division may order the Operator to cease further mining activities, and without further notice proceed to draw upon letters of credit, to withdraw any amounts in certificates of deposit or cash and/or any other forms of surety, and to otherwise take such action as may be necessary to secure the rights of the Division to perfect its claim on the existing surety for the purpose of fully satisfying all of the reclamation

obligations incurred by the Operator prior to the date of termination, and the Division may thereafter require the Operator to begin immediate reclamation of the Lands Affected by the mining operations, and may, if necessary, proceed to take such further actions as may be required for the Division to forfeit the surety for the purpose of reclaiming the Lands Affected.

6. The Operator's liability under this Contract shall continue in full force and effect until the Division finds that the Operator has reclaimed the Lands Affected by mining operations in accordance with the Act and regulations, as amended. If the mining operations are modified or for any other reason vary from those described in the Complete Notice of Intention, the Operator shall immediately advise the Division, and the Notice of Intention shall be revised and the Surety amount shall be adjusted as necessary.
7. If reclamation of discrete sections of the Lands Affected by the mining operations is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the mining area, Operator may request the Division to find that Operator has reclaimed such area. If the Division makes such finding, Operator may make request to the Division for a reduction in the aggregate face amount of the Surety, and the Division may reduce the surety to an amount necessary to complete reclamation of the remaining mining operations as anticipated by the Complete Notice of Intention in accordance with the requirements of the Act and regulations, as amended.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the applicable rules.
9. Operator agrees to pay all legally determined public liability and property damage claims resulting from mining operations, to pay all permit fees, to maintain suitable records, to file all required reports, to permit reasonable inspections, and to fulfill all sundry reporting requirements applicable to the mine as required by the Act and implementing rules.
10. Operator agrees to indemnify and hold harmless the State, Board, and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
11. If Operator shall default in the performance of its obligations hereunder, Operator shall be liable for all damages resulting from the breach hereof including all costs, expenses, and reasonable attorney's fees incurred by the Division and/or the Board in the enforcement of this Contract.

DIVISION OF OIL, GAS AND MINING:

By John R. Baza
John R. Baza, Director

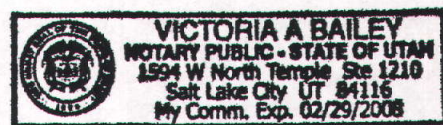
5/18/06
Date

STATE OF Utah)
COUNTY OF SALT Lake) ss:

On the 18th day of May, 2006, John R. Baza
personally appeared before me, who being duly sworn did say that he, the said
John R. Baza is the Director of the Division of Oil, Gas and Mining,
Department of Natural Resources, State of Utah, and he duly acknowledged to me that
he executed the foregoing document by authority of law on behalf of the State of Utah.

Victoria A. Bailey
Notary Public
Residing at: SALT Lake City, UT

February 29, 2008
My Commission Expires:



FACT SHEET

Commodity: Tar sands

Mine Name: Black Sands 47281

County: Uintah

Acres: Less than one – for up to five core drills, less than 100 feet deep only

Operator Name: Black Sands Holding Co.

Operator Address: 2939 S. Tamarac St., Denver, CO 80231

Operator phone number: 303-803-2106

Contact: Frank Ginton, President

Email Contact: Alan Propp at

On Site operator: Alberto Santiesteban

On site operator phone: 303-803-2219

Surety: Cash, Zions Bank through Utah State Treasurer

Dollar Amount: \$1,500

Account Number: Attachment A

Contact: Beth Ericksen, DOGM, 801-538-5318

Tax ID: 20-3673209

Escalation year: 2009

